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2 March 1966

The Paotou iron and steel complex was originally planned for completion by 1962 with equipment and technical assistance from the USSR. It was to be the second largest steel plant in Communist China with annual capacities of (1) 3.5 million tons of pig iron and 4 blast furnaces, (2) 3.3 million tons of crude steel from 9 open-hearth furnaces, and (3) 2.0 million tons of rolled steel. Details on the planned product mix are not known. The apparent absence of electric furnace facilities makes it likely that the plant was designed to produce steel for general industrial and military use as opposed to high-alloy steels for special applications such as advanced weapons programs.

By mid-1960 when the Russians withdrew, fragmentary information from the Chinese press and from visitors to the plant indicated that 1 of the 4 scheduled blast furnaces and 1 of the 9 projected open-hearth furnaces were in operation, and that a second blast furnace and an additional 2 to 4 open-hearth furnaces were nearing completion or completed. The annual rate of production in mid-1960 probably was about 0.5 million tons of pig iron and 0.3 million tons of crude steel. Construction of the rolling mill facilities was reported to be underway.

After the Russian withdrawal there was a virtual blackout of information on the status of Paotou until March 1963 [REDACTED]

(1) both blast furnaces were in operation but only 1 of the 3 to 5 open-hearth furnaces were active, (2) excavation work only had been carried out for the rolling mills, and (3) construction activity in general had virtually ceased in mid-1960. [REDACTED]

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present the steel being produced probably is being used for castings and forgings in the large machine building/ordnance complex at Paotou. Surplus pig iron is being shipped to Shanghai.) Some of the rolling mill equipment the Chinese have purchased from Japan and Western European countries in the latter part of 1965 and early 1966 may be intended for installation at Paotou as the Russians no doubt did not deliver equipment as planned. Normally, 2 to 4 years are required after contracts are signed to design, manufacture, and install large rolling mills. The evidence of an increase in construction activity at Paotou is a further indication that a gradual recovery of the Chinese economy is taking place.

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